

**DEPARTMENT OF EMPLOYMENT
DISPUTE RESOLUTION**

**REPORT ON AUDIT
FOR THE TWO-YEAR PERIOD ENDED
JUNE 30, 2006**



AUDIT SUMMARY

Our audit of the Department of Employment Dispute Resolution, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System.
- no matters involving internal control and its operations necessary to bring to management's attention; and
- one instance of noncompliance with applicable laws and regulations or other matters that is required to be reported.

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AUDIT FINDINGS AND RECOMMENDATIONS

Although a small agency, the Department has adopted its own policies and procedures for the Small Purchase Charge Card program. These policies and procedures require the supervisor to review and approve monthly card statement reconciliation and document this review and approval by signing the reconciliation. Additionally, this process allows the supervisor the opportunity to provide an appropriate level of supervisory review to the process.

We concur with the Department's policies and procedure; however, the supervisor should follow these processes both to provide appropriate supervisory review and control to the process, but also to exercise the necessary internal control that the policies and procedures envision. The Department should follow and comply with its internal procedures.

AGENCY HIGHLIGHTS

The Department of Employment Dispute Resolution administers the employee grievance procedures. In addition, the Department works to prevent and resolve employment-related disputes in state government through its statewide mediation program, a toll-free advice line, and training on the grievance procedure and conflict resolution.

The table below compares the Department's original and adjusted budgets with actual expenses. The Department collected revenues of approximately \$280,123 and \$238,067 for fiscal years 2005 and 2006 respectively, for grievance hearing fees and training. For fiscal year 2006, the General Assembly approved that the agency would no longer charge other agencies for core training courses. As a result, the Department collected less revenue, as they were only charging agencies for special training courses.

Original Budget to Actual Expenses

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenses</u>
Fiscal year 2006:			
General	\$ 943,020	\$1,020,380	\$1,018,108
Special	<u>251,765</u>	<u>304,292</u>	<u>250,500</u>
Total	<u>1,194,785</u>	<u>1,324,672</u>	<u>1,268,608</u>
Fiscal year 2005:			
General	893,067	915,504	914,522
Special	<u>290,476</u>	<u>281,148</u>	<u>250,767</u>
Total	<u>\$1,183,543</u>	<u>\$1,196,652</u>	<u>\$1,165,289</u>

Personal services accounts for most of the Department's expenses. For fiscal year 2006, personal services and continuous charges accounted for 86 percent and seven percent of total expenses, respectively.

Expenses by Major Object Code

	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2005</u>
Personal services	\$1,088,479	\$ 959,638
Contractual services	70,531	74,526
Supplies and materials	8,610	12,042
Transfer payments	230	547
Continuous charges	91,603	111,004
Equipment	9,155	2,105
Plant and improvements	<u>-</u>	<u>5,427</u>
Total	<u>\$1,268,608</u>	<u>\$1,165,289</u>



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
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May 23, 2007

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Department of Employment Dispute Resolution** for the two-year period ended June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

AUDIT OBJECTIVES

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal controls, test compliance with applicable laws and regulations and review corrective actions of audit findings from prior year reports.

AUDIT SCOPE AND METHODOLOGY

The Department of Employment Dispute Resolution's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Expenditures
- Revenue
- Payroll
- Small purchase charge card
- State travel charge cards

We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Department's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

CONCLUSIONS

We found that the Department of Employment Dispute Resolution properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System for the two year period ended June 30, 2006. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted a matter involving internal control and its operation and compliance with applicable laws and regulations that requires management's attention and corrective action. This matter is described in the section entitled "Audit Findings and Recommendations."

EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on May 24, 2006. Management's response has been included at the end of this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

WJK\sks



COMMONWEALTH of VIRGINIA

Claudia T. Farr
Director

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May 29, 2007

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I concur with the finding that the Department of Employment Dispute Resolution (EDR) should follow and comply with its internal supervisory review procedures at all times. EDR has since revised its current internal procedure to ensure appropriate review, approval and signing of monthly small purchase charge card statement reconciliations in those instances when the normal reviewing supervisor is out of the office and unavailable to conduct a timely review.

We at EDR appreciate the auditor's bringing this to our attention.

A handwritten signature in black ink that reads "Claudia T. Farr".

Claudia T. Farr
Director

AGENCY OFFICIALS

Department of Employment Dispute Resolution

Viola O. Baskerville, Secretary of Administration

Claudia T. Farr, Director

Deborah Henderson, Office Manager